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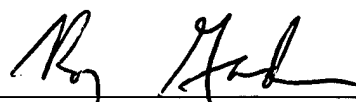
THE EFFECTS OF THE STRUCTURAL FUNDS ON NATIONALIST MOVEMENTS
IN THE EUROPEAN UNION

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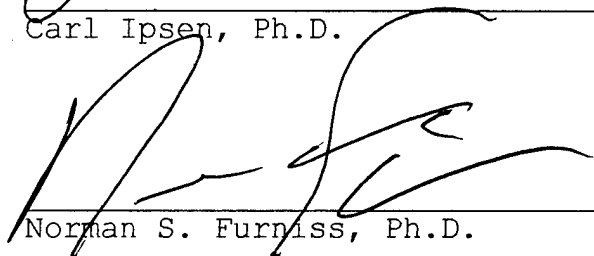
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CHAPTER ONE

Introduction to the Thesis

The purpose of this thesis is to determine what effects the Structural Funds, the primary financial instruments by which the European Union pursues its regional policy, have had on nationalist movements in Community regions which are simultaneously nations and which have historically demonstrated a significant level of nationalism. This topic deserves investigation for several reasons.

First, nationalism has been and continues to be one of the most powerful political forces in the world. Historically, nationalism has been used to justify national unification and national expansion, e.g. Germany 1870-71 and Italy 1869-70, contributing to the creation of some of the most powerful polities in terms of population, geographical size, and economic power. In this century, nationalists have employed it as a liberating force leading to the break-up of empires, e.g. Austria-Hungary, and decolonialization, e.g. Africa. Within the last seven years, the dissolution of the Soviet Empire has led to the creation, or in many instances the reestablishment, of no less than fifteen sovereign states. Except for Africa, the political borders of each new state have corresponded, although imperfectly, to their ethnic boundaries as well.

In Western Europe, presumably one of the most

politically stable areas in the world, nationalist groups are also making demands of their central governments. Whether through peaceful or militant means, nationalist movements in Belgium, France, Italy, Spain, the United Kingdom and even Switzerland are seeking greater recognition, autonomy, and independence. Labelling any of these countries as empires is debatable, however, we can confidently say that each is a multinational state with at least one ethno-linguistic minority seeking to improve its political or economic status within its host country or the European Union.

Second, many social scientists attribute the emergence or reemergence of nationalism to the coexistence of ethnic differences and economic disparities between a nation and its state or between nations in the same state. This is not to say that economics is the only force driving nationalist movements. Many movements originated before this century as a result of religious, linguistic, or ethnic discriminations. Nevertheless, every nationalist movement today, at least in Western Europe, has an economic dimension. From a modern day, West European perspective, there are generally two scenarios in which disparities exist. Either a nation is relatively "rich" compared to the state in which it exists or it is relatively "poor".

Recognizing the fact that "rich" and "poor" are rather ambiguous adjectives, we can measure the prosperity of a

nation using criteria established by the European Union. Although the Union is not concerned about nations *per se*, it does measure regional prosperity for the purposes of its Structural Funds by three objective factors: per capita gross domestic product (GDP), unemployment rate, and population density. Generally speaking, the EU has a per capita GDP of \$20,000. The Commission¹, therefore, considers a region to be "lagging" if its GDP per inhabitant is less than or equal to 75% of the Community average. Likewise, a region is in "industrial decline" if its unemployment rate is greater than the Community average for three consecutive years (Council, 1993, pp. 10-11). And finally, a region with a population density of eight persons per square kilometer or less qualifies for economic aid as well. Currently, the northern areas of Finland and Sweden are the only regions in the Union that meet this last criterion (Council, 1995, p. 12).

Subjective factors can be used to measure the prosperity of a region as well. The level of modernization, geographic location, and natural resources are a sample of the indicators which can determine if a region is "rich" or "poor". For example, a region which depends heavily on agriculture as opposed to finance and banking is generally considered a "poor" area. Regions in peripheral countries such as Greece, Ireland, Portugal, and even parts of the United Kingdom are more often than not "poor" because of

their isolation, among other reasons, from the rest of the Union. In contrast, regions in the "core" of Western Europe are almost always classified as "rich". In fact, the only "poor" regions in the European core are the Belgium province of Hainaut and the three adjacent arrondissements located across the border in France. The "poorest" regions in the European Union are shaded pink on the map on page 5 (European Commission, 1996b, inside cover page).

Although the differences among the EU member states in terms of per capita GDP and unemployment are large, sometimes the greatest discrepancies exist within the same country. For example, the richest and the poorest regions of the EU are both in the Federal Republic of Germany. Thüringen, located in the former Democratic Republic of Germany, has a GDP per inhabitant expressed in purchasing power standards that is 38% of the EU average as opposed to Hamburg whose GDP is 196% (European Commission, 1995, pp. 68-69).

In spite of belonging to the same ethnic group, there is a considerable amount of animosity between the former East and West Germans because of this economic imbalance. However, we do not observe any significant nationalist movements. It is in those member states where the ethnic differences are the most profound, i.e. Celtic-Germanic, Germanic-Romanic, etc., and which coincide with regional economic disparities, that we see the strongest nationalist

Areas eligible under the regional Objectives of the Structural Funds (1994-99)

Objective 1 (1994-99)

Economic adjustment of regions whose development is lagging behind

Objective 2 (1994-96)

Economic conversion of declining industrial areas

Objective 5b (1994-99)

Economic diversification of rural areas

Objective 6 (1995-99)

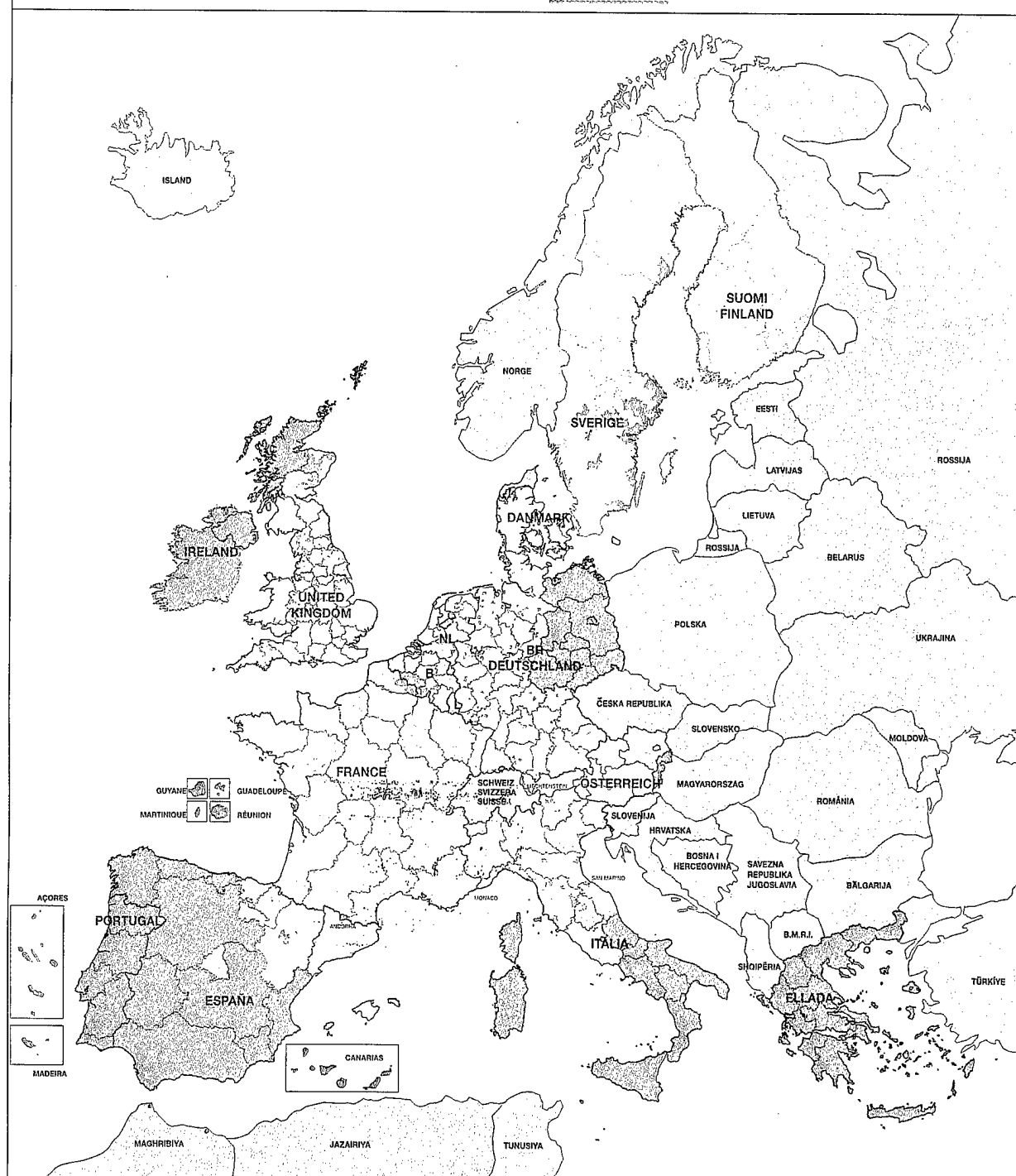
Development of sparsely populated regions in Sweden and Finland

Areas partially eligible

under Objective 2

Areas partially eligible

under Objective 5b



movements.

Furthermore, national movements are not always in "poor" regions, but "rich" ones as well. The citizens of ethnically different "rich" regions often feel that they are subsidizing the rest of their country or other nations within the same state. As net contributors to the central government, a nationalist movement can develop in order to keep the wealth at home or even attain independence. Some examples of this situation include the Basque Country, Cataluña, and Flanders. Each of these three regions has a higher per capita GDP than the rest of their state as a whole.

And finally, the European Union (EU) dedicates a significant amount of money, almost one third of its annual budget, to improve the employment situation in the community and to alleviate economic disparities between the Union's richest and poorest regions. In 1994, the EU committed ECU 23.2 billion² (\$30.2 billion) to its regional economic aid programs (European Commission, 1994, p. 4). Since 1961, the Commission has allocated approximately ECU 170.8 billion to regional projects by means of the Structural Funds (European Commission, 1996a, pp. 21-22).

In order to determine what effect the Structural Funds have had on nationalist movements in the European Union, this investigation is organized in the following manner. Chapter two will define a "nation", describe "nationalism"

as it pertains to Western Europe, and highlight several widely accepted theories which link economics and nationalism. In chapter three, we will discuss the European Union's regional policy, define a region, and describe the process by which regional aid is granted. In chapter four, we will examine Scotland and Flanders as both nations and regions. In each case study, we will highlight the most significant aspects of their national identity from a historical and political perspective, identify the economic aspects of Scottish and Flemish nationalism, and determine the specific effects the Structural Funds have had on nationalist movements in each region.

Any number of nations could have been chosen--here I have chosen Scotland and Flanders, which have two significant differences. Belgium is a federal state, whereas the United Kingdom is one of the most centralized countries in Western Europe. Flanders is a "rich" nation, whereas Scotland, at least a significant portion of it, has a GDP per inhabitant which is less than 75% of the EU average. At the same time, each nation has an ethnic identity different from their host country.

In the conclusion we will recap the major points of each chapter and draw several conclusions concerning the Structural Funds and nationalist movements based on the evidence derived from the two case studies.

Notes

¹ The Commission and the Council comprise the executive body of the European Union. Each member state appoints either one or two representatives to the Commission depending on the size of the country. The Council consists of the heads of government or the president of each member state.

² 1 European Currency Unit (ECU) equals approximately \$1.30.

CHAPTER TWO

Nations and Nationalism

Section 1 - Introduction to the Chapter

The goal of chapter one is twofold: first, define the terms "nation" and "nationalism" and second, describe several theories which link nationalism to economic conditions from a West European perspective.

The terms "nation" and "nationalism" merit discussion for several reasons. First, the nation as opposed to any other polity or socio-cultural group is the focal point of this project. We are only concerned with regions because it is on a regional basis that the Commission distributes economic aid. It is important to note, therefore, that a nation always occupies a region or group of regions, but a region is not always a nation. In other words, some regions have a national identity while others do not. For instance, the French region of Rhône-Alpes does not possess a distinct identity separate from the French state. By contrast, the same cannot be said about Scotland or Flanders.

By narrowing the scope of this thesis to only one form of human collectivity, we will avoid the pitfall of trying to explain too much and therefore losing sight of the paper's central theme of what effects the Structural Funds are having on nationalist movements. In order to maintain

this focus, it is essential, first of all, that we establish a set of criteria for these concepts by which all other competing entities and ideologies can be eliminated.

Next, in addition to the need to focus, there is an inherent terminology problem with the concept of a "nation". Within the realm of the social sciences alone, there is no universally excepted definition. Depending on the author's field of expertise, the word "nation" can be utilized synonymously with a state, a nation-state, a region, an ethnic community, and/or a people. For instance, an American president may talk about the "nation's" unemployment rate in his weekly radio address and in the same speech refer to a Native American "nation" living on a reservation in Oklahoma. Although the same term is employed, two completely different images come to mind, a state and a tribe, respectively.

Not only do definitions differ within the same profession, but through time and circumstances as well. For example, the Romans classified each barbarian tribe, e.g. Alemanni, Lombards, etc., as a *natio*. Each tribe was an ethnic unit "based on blood ties and on similar laws and customs, linguistic similarities, and common patterns of warfare" (Llobera, 1994, p. 8). In the Middle Ages, however, the nation came to designate a particular sector of a polity. In fact, students at medieval universities were categorized by their *nationem*.¹ By the seventeenth century,

the meaning had changed once again and referred to all the inhabitants of a country regardless of the population's ethnic make-up (Connor, 1978, p. 381; Williams, 1976, p. 178).

Likewise, the term "nationalism" is employed interchangeably with a whole host of other ideologies. Primordialism, pluralism, tribalism, regionalism, communalism, parochialism, and sub-nationalism are often mistakenly used to describe nationalism.² In all of these cases, unless the author explains his position or provides definitions up front, the audience is inadvertently or perhaps intentionally left in the dark through most of the reading.

Next, nations are capable of generating enormous amounts of loyalty and sentiment, unlike most human classifications or units. Although citizens sometimes mobilize on the basis of age, gender, economic status, or territorial affiliation, etc. to achieve specific political or economic goals, seldom have these groups maintained an autonomous identity once their objectives have been reached. In addition, few special interest groups, if any, have actually romanticized their struggles or inspired their followers to "die for the cause". Amnesty International and the Labour Party just cannot create the same sort of devotion as the motherland. Socialism has come close, but still falls short of the mark. Though the romanticism and psychology of nationalism are

beyond the scope of this investigation, we will identify the "essence" of a nation which enables nationalism to be such a powerful force.

Finally, if we are to assess the effects of the Structural Funds on national movements, it is imperative that we identify the relationship between economic conditions, nations, and nationalism in Western Europe. In order to achieve this goal, we will examine several widely accepted theories on this subject.

Section 2 - The Nation

Literature on the "nation" is both overwhelming and extensive. Fortunately, most of the scholars who have written on the topic can be classified into one of three camps: the primordialists, the modernists, and the ethnic continuationists. What distinguishes one set of authors from the other is their opinion on the origin and the "malleability" of the nation.

The primordialists, sometimes referred to as the perennialists, argue that the "essence of the nation is eternally present and ready to emerge under the right historical conditions" (Eley & Suny, 1996, p. 105). In other words, nations have existed since pre-history and only had to be "awakened". Although the majority of primordialists admit that political, social, economic, and

cultural variables have some influence on nations; these theorists maintain that the nation is relatively inflexible. The range of flexibility generally coincides with the following three primordialist positions.

On the less rigid end of the spectrum, social scientists such as Walker Connor claim that the "essence" of a nation:

is a psychological bond that joins a people and differentiates it, in the subconscious conviction of its members, from all other people in a most vital way. The nature of that bond and its well-spring remain shadowy and elusive, and the consequent difficulty of defining the nation is usually acknowledged by those who attempt the task (Connor, 1978, p. 379; Stack, 1986, pp. 3-4).

Recognizing the fact that nations are not genetically homogeneous but incorporate several genetic strains, he concludes that what is important is not "what is, but what people believe". To support this claim, Professor Walker cites two historical examples. The first is Birmarck's appeal to the German people to "think with their blood." The second example is a speech made by a Chinese Communist Party leader in 1937 in which the orator refers to the Chinese people as the descendants of the legendary first emperor of China, Huang-ti (Connor, 1984, p. 342; Connor, 1978 p. 378). In both cases, the speaker creates an illusion that the unit is the direct descendant of either a mythical hero or a romanticized tribe which lived in a golden age.

The middle ground is occupied by primordialists such as Professor Clifford Geertz. Geertz, a professor of anthropology at Yale University, writes that "nations are quite natural because they are bonded by the 'givens' of social existence". The "givens" he is referring to are the "primordial attachments." They include but are not limited to a sense of kinship, being born into a particular religious community, speaking the same language or a dialect of it, practicing common social practices, and living in the same geographic area (Geertz, 1973, p. 259).

The sociobiologists represent the most rigid end of the primordial scale. According to their theories, nations are not only defined by their language in addition to the other "primordial attachments", but also share biological traits. Besides the most obvious characteristics like skin color and hair texture, nations can be segregated by intelligence, skill, strength, wit, and temperament (Fishman, 1980, p. 86). This particular viewpoint, influenced by Herbert Spencer, was very popular in the 19th and early 20th century.³ Literature of this persuasion often refers to "nation" and "race" synonymously.

Primordial theories became unfashionable sometime before the Second World War and were slowly superseded by "modern" theories. The modernists contend that nations are "the products of post-eighteenth century transformations of society and consciousness" (Eley & Suny, 1996, p. 105). In

other words, modern factors such as industrialization, capitalism, technical innovation, and/or colonization "created" nations. In contrast to the primordialists, the modernists espouse the idea that nations are "problematic" and "situationally determined" and by no means natural (Kedourie, 1960, p. 1; Nagel & Olzak, 1982, p. 129).

One of the more recent books on the topic which has received considerable attention is Benedict Anderson's *Imagined Communities*. In that study, Anderson describes a nation as "an imagined political community - and imagined as both inherently limited and sovereign." It is imagined because, unlike a tribe or a village, members of the smallest nations will never know all of their fellow members. Limited denotes the finite boundaries of a nation, beyond which another nation exists. And finally, a nation is sovereign because it is politically legitimate (1991, pp. 6-7).

Anderson credits the printing press for ultimately engendering "imagined communities" because "the nation was conceived in language, not in blood" and because "one could be 'invited into' the imagined community" (1991, p. 145). Simply stated, he argues that capitalists in 16th century Europe discovered that book publishing was a profitable enterprise. After saturating the market with Latin publications, printers began publishing books in the vernaculars. The dialects chosen corresponded to those of

the literate, wealthy ruling classes. As literacy improved, vernaculars received official status and many dialects disappeared. Print-languages unified previously disintegrated populations into nations. He concludes that national identities were created, above all else, by printed languages and are sustained nowadays by radio, television, and other modern means of communication.

Ernest Gellner, another oft-quoted modernist, does not attribute the emergence of nations to a particular technological innovation, but rather to industrialization and education. Industrial societies need a literate, well educated work force in order to function efficiently. Workers must be able to read manuals, follow sophisticated instructions and communicate ideas. The most practical means of creating a work force capable of meeting these requirements is through a centrally administered, national education system. A nation is, therefore, a political unit "with a standardized, homogeneous, centrally sustained high culture, pervading the entire population and not just an elite minority" (Gellner, 1983, p. 35).

Both the primordial and the modern theories are open to many criticisms, especially from the opposing camp. Primordialists counter the modernist's claim that industrialization "invented" nations by pointing out historical examples in which famous modernists have actually changed their positions. One such example is the reversal

of Marxist-Leninist propaganda concerning national movements following World War One. Having originally believed that the proletariat had no nationality and that nations were the "creation" of the bourgeoisie, Lenin soon discovered during the war that the "working class of France and Germany elected to fight as Frenchmen and Germans." In 1924, Moscow issued instructions to all communist parties to embrace the right to national self-determination in order to influence the masses (Connor, 1984, pp. 352-354).

On the other hand, the modernists insist that nations cannot be eternal. On the basis of communication alone, languages are in a continuous, albeit slow, process of evolution. For example, the modern English language did not emerge until the late fifteenth century, whereas French was still heavily influenced by Latin and considerably different from the modern version as late as the sixteenth century (Anderson, 1991, p. 41).

The third category of scholars, the ethnic continuationists, combine the two previous schools of thought to create a new, inclusive theory. The continuationists confirm the fact that nations are modern phenomena, but emphasize their deep historical roots as well. For the purposes of this investigation, we will adopt the ethnic continuation model of the nation for reasons which will soon be apparent.

To date, Anthony D. Smith, professor of sociology at the

London School of Economics, is the most cited and the most published of the ethnic continuationists. He defines a nation as "a named human population sharing an historic territory, common myths and historical memories, a mass, public culture, a common economy, and common legal rights and duties for all its members" (Smith, 1991, p. 14).

Besides combining the main points of the other two schools of thought, Smith makes a distinction between an ethnic community, a purely cultural entity, and a nation, an unit with political, economic, territorial, ethnic, and cultural components. An ethnic community or an *ethnie*, a French term used by Smith, is a concept which combines culture with historical community and roughly equates to the primordial version of a nation. According to Smith, an *ethnie* consists of six components: a collective name, a common myth of descent, a shared history, a distinctive shared culture, an association with a specific territory, and a sense of solidarity. In order to better understand these dimensions, a brief description of each is necessary.

The most significant aspect of an *ethnie* is its collective name. A name distinguishes one group from another and is its identifying mark. In fact, no ethnic community has ever been nameless although some have only adopted a collective as a result of external pressure, e.g. the Muslims in Yugoslavia. Historically, collective names are derived from a multitude of sources, but generally are

taken from the name of a city (Carthaginians), a region (Catalonians), a people (Germans), or perhaps a religious sect (Druse).

What makes a common myth of descent so important is the belief that all the members of the group share a common ancestor and origin. The group fosters a feeling of belonging and kinship through a sense of common family ties rather than an emphasis on actual genetic ties. A common myth of descent satisfies basic desires to know where one comes from and why the group is similar.

In referring to a shared history, Smith explains, "*ethnies* are nothing if not historical communities built up on shared memories." A group's history bonds each successive generation with its predecessors. History tells a story, although not always factual, through poems, ballads, and legends. The ballads and legends romanticize the unit's trials, tribulations, battles, migrations, etc. and educate the members by explaining the path the group has taken to the present.

Language and religion are the most cited aspects of a distinctive shared culture. However, customs, institutions, laws, folklore, architecture, dress, food, music, arts, skin color, and physique are significant components as well. Not every *ethnie* has a unique language, religion, dress, etc. Some *ethnie* have actually lost significant portions of their culture but continue to exist. In France, for example, the

Bretons have sustained their identity despite the fact that French has almost totally replaced their original Celtic idiom. However, the greater the number of differentiating cultural components a group enjoys, the more distinct an ethnic community will be.

An *ethnie* always identifies with a specific territory even though the unit does not occupy that land. The territory can be a homeland, a place of origin, or a sacred piece of terrain. This explanation is not only applicable to immigrants, e.g. Irish-Americans, Italian-Americans, guest workers, but also to those groups like Afro-Americans who were forced from their homelands.

The final component of an ethnic community is a sense of solidarity. Solidarity must transcend social or economic class, faction, or regional division. Solidarity, which may not always be apparent, is characterized by cooperation in times of danger or crisis, especially as a result of external threats.

Each of the dimensions of an *ethnie* is mutually reinforcing. Each builds on the strength of the other. A collective name usually corresponds to an association with a given territory. A shared history begins with a common origin. Furthermore, an ethnic community is not stagnant, but evolves over time. Just as languages change, so too do dress, religion, and customs. Finally, one should not confuse race with ethnic community. A race is distinguished

by genetically transmitted characteristics. Two *ethnies* may belong to the same race without feeling a sense of community or cooperation (Smith, 1986, pp. 22-31).

So far, the emphasis has been on the "primordial" aspects of the ethnic continuation model; however, the modern components are important as well. Without these modern dimensions, a mass, public culture, a common economy, and common rights and duties of all its members, a socio-cultural unit would remain an ethnic community. There are two paths by which ethnic communities become nations, both of which will be discussed in the next section.

Reinforcing the modern aspect of a nation is the probability that a nation simply could not have existed prior to the late seventeenth century in an agrarian, pre-industrial society. Although there are isolated incidents of citizenship, legal rights, and republicanism throughout the history of civilization, most notably in Greece and Rome, the notion that all men are equal and that certain classes should not have special privileges did not emerge until the seventeenth century. The first document in Western Europe providing basic legal protection for individual rights was the English Bill of Rights, passed by the English Parliament in 1689. Although its primary intent was to limit the power of the king, it did contain provisions restricting excessive bail as well as cruel and unusual punishment.

The same argument could be made for a mass, public culture. As we have seen, a large homogeneous culture, even in terms of language alone, only occurred under rare circumstances. Going back to the Norman example, it took approximately 400 years for the modern English language to develop after the Conquest. It might have taken longer if England had not been relatively small compared to Spain or France (Yerkes, 1992, no page available).

Before proceeding to the next section, two final points concerning *ethnies* need to be made. First of all, every nation can trace its origin back to a dominant, "core" *ethnie*. Ethnic cores can be divided into two categories, lateral and vertical. A lateral ethnic core is aristocratic and contains only the upper stratum of a society. The members, which include the ruling class, the bureaucracy, the military elite and the clergy, do not share, at least initially, their culture with the masses over which they rule. The lateral ethnic core may speak a separate language, practice a different faith, or have a distinguishable physical feature which enables the rulers to distance themselves from the ruled (Smith, 1986, pp. 79-83; Gellner, 1983, pp. 9-11). Gellner claims that the division of labor along ethnic boundaries was acceptable to the peasants as well as the nobility in pre-industrial, agrarian societies (1983, pp. 11-13).

One example of a lateral *ethnie* is the Normans.

Following the Norman invasion in AD 1066, William the Conqueror superimposed the Norman aristocracy on an already existing Anglo-Saxon society. For several centuries, the Normans ruled over an ethnically different population. . Eventually, however, Norman culture and Anglo-Saxon culture, which already included some Danish influences, melded through linguistic borrowing, intermarriage, and elite mobility. By the middle of the fourteenth century, the English language (Chaucerian English) emerged along with a British *ethnie* (Laslett, 1965, p. 35; Smith, 1991, pp. 52-56; Llobera, 1994, pp. 22-26).

By contrast, a vertical ethnic core includes every stratum of a society. Its leaders emphasize the boundaries which separate it from neighboring ethnic communities and the bond which unites the group. Assimilation, intermarriage, and/or religious toleration are discouraged. For these reasons, vertical *ethnies* tend to be small, subject populations. Three examples of nations which evolved from vertical ethnic cores are Ireland, Cataluña, and Finland (Smith, 1991, pp. 61-64; Smith, 1986, pp. 83-87).

The second point is a matter of geography. As discussed earlier, an *ethnie* identifies with a specific territory even though it does not occupy that land. However, for an ethnic community to become a nation, the nation must inhabit its homeland. This does not imply that

the nation must be independent, quite the contrary. A nation can exist within a federation, a confederation, or a centralized state which is ethnically diverse, but must at least partially control the land it has historically occupied.

Section 3 - Nationalism

It is no coincidence that the two types of *ethnies* also correspond to the two types of nationalism which exist or have existed in Western Europe. No matter what labels one attaches to these nationalisms, "territorial or ethnic" (Smith, 1991, p. 82), "official or popular" (Anderson, 1991, p. 135), "integral or *risorgimento*" (Alter, 1989, p. 35), "western or eastern" (Gellner, 1983, p.99), or "nationalism or neo-nationalism" (Nairn, 1977, pp. 127-128), one can be considered "state-led" while the other is "state-seeking". Neither is mutually exclusive, but rather different sides of the same coin.

Lateral ethnic cores utilized state-led nationalism following a military conquest, dynastic marriage or political alliance in order to expand their "cultural orbit" to surrounding populations and regions through bureaucratic incorporation. This was done through standardized military, administrative, fiscal, and judicial apparatuses and later through a national education system. State-led nationalism

created civic-minded nations based on citizenship. Examples include England, France, and Spain.

Vertical ethnic cores utilize state-seeking nationalism. As opposed to bureaucratic incorporation, the intelligentsia are the leaders of this movement. Their responsibility is to educate and mobilize the masses to support the cause. While some vertical ethnic cores have established independent, sovereign states, most have limited their goals to greater political recognition or autonomy rather than complete separation. Again, Ireland, Cataluña, and Finland fall into this category (Smith, 1991, pp. 65-68).

We can, therefore, describe nationalism as a movement either to culturally homogenize a political unit or politically mobilize a socio-cultural unit. Either way, "nationalism is a political principle, which holds that the political and the national (cultural) unit should be congruent" (Gellner, 1983, p. 1). Smith defines it as "an ideological movement aiming to attain or maintain autonomy, unity, and identity for a social group which is deemed to constitute a nation" (Smith, 1991, p.51).

From this last account, we can conclude that nationalism is not only an ethnic community's struggle to obtain "national status", but also includes a nation's effort to maintain that status, reestablish that status, or become an independent, sovereign "nation-state". We can, therefore, define a nationalist movement or group as one which espouses

the ideology of nationalism. Depending on the nation in question and the politico-economic circumstances, the goal of a nationalist movement may not only include demands for greater political recognition or independence, but demands for greater economic control as well.

Section 4 - Economic Causes of Nationalism

Adopting Smith's definition of a nation and nationalism enables us to do several things. First, we can exclude ethnically based special interest groups from consideration in our discussion. This would include migrant workers and political refugees who do not have an historical claim to the territory in which they now live. Second, we can focus exclusively on those units which have the potential, though this may not be their goal, of becoming nation-states. Finally, we can limit the number of economic theories concerning ethnic mobilization to those which only apply to nations. For example, ethnic conflict between guest workers and other ethnic groups in urban industrial areas on the basis of job competition does not constitute nationalism. This example does describe an ideology which lies outside the scope of this thesis, tribalism.

The economic causes of nationalism can be explained by one or more of the following four theories: Michael Hechter's "internal colonialism", Tom Nairn's "relative

over-development", Ernest Gellner's "economic deprivation", or Joane Nagel and Susan Olzak's "ethnic competition".

In *Internal Colonialism: The Celtic Fringe in British National Development, 1536-1966*, Hechter creates a model in which a state consists of a core surrounded by peripheral regions. The core, having gained a permanent political and economic advantage due to the uneven "wave of modernization" creates a situation not dissimilar from a colonial empire in which the core exploits the periphery for its natural resources and/or manpower. The peripheral region's economy is based on exports and is susceptible to price variations in the international market. Major decisions concerning investment, credit, and wages are made at the corporate headquarters which are located in the core. Consequently, the core grows wealthier while the periphery lags behind (Hechter, 1975, pp. 8-10).

Nairn's model is applicable to regions which are "relatively over-developed" in comparison with the core. The core cannot afford to divorce itself from this region because of the region's natural resources (coal, iron, oil, water), its geographical location in relation to major transportation assets (ports, highways, airports, or railways), or its industry. Consequently, this region "subsidizes" the rest of the country (Nairn, 1977, pp. 184-195).

The region which is "economically deprived" has no

significant resources other than manpower or arable land. If there are any resources, they are yet to be discovered or are underdeveloped. This region is characterized by out-migration due to the shortage of jobs (Gellner, 1983, pp. 58-62).

And finally, Nagel and Olzak's "ethnic competition model" is quite inclusive and tries to account for every form of economically based ethnic conflict which exists. However, from a national point of view, the theory states that there is a finite amount of resources to be had. Regions are in competition with other regions and with their central government for state funds as well as supranational funds to finance infrastructure improvements, social programs, and job creation (1982, pp. 127-143).

Section 5 - Summary

In this chapter, we have discovered that a nation, as opposed to any other human collectivity, is an extremely complex unit. It not only consists of a socio-cultural component, but also a political, economic, and a territorial dimension as well. We adopted Anthony Smith's definition of the nation for several reasons. First, Smith differentiates between a nation and an ethnic community unlike the primordialists or the modernists. Second, Smith's definition combines the two schools of thought into one

comprehensive model which does discriminate on the basis of time, but on the basis of content. For a group to be considered a nation it must be "a named human population sharing an historic territory, common myths and historical memories, a mass, public culture, a common economy, and common legal rights and duties for all its members" (1991, p. 14).

Second, by choosing a highly selective definition, we are able to exclude groups which are not actually nations--though they may claim to be so--but really ethnic communities. Therefore, ethnically based special interest groups, immigrant workers, and political refugees will not be included in this discussion.

Next, we discussed the ideology of nationalism. The two types of nationalism found in Western Europe, state-led and state-seeking, are actually two sides of the same coin and correspond to the two types of ethnic cores, lateral and vertical. We defined nationalism as "an ideological movement aiming to attain or maintain autonomy, unity, and identity for a social group which is deemed to constitute a nation." And finally, a nationalist movement espouses the ideology of nationalism.

In the last section, we discussed four widely accepted theories linking nationalism to economics: Hechter's "internal colonialism", Nairn's "relative over-development", Gellner's "economic deprivation", and Nagel and Olzak's

"ethnic competition".

Having defined a nation and nationalism and having identified the major theories linking economics to nationalist movements, it is now necessary to discuss how the European Union promotes "economic and social cohesion" through its regional policy and the Structural Funds. In chapter four, we will then be able to make the connection between the information in chapters two and three and determine what effects the Structural Funds have had on nationalist movements in the European Union.

Notes

¹ *Nationem*, meaning "nationality", and *natio*, meaning "race" or "breed" are derived from the past participle, *natus*, of the Latin verb *nasci*, to be born (Morris, 1973, 874).

² For an explanation of these "isms", see Connor, W. (1978). A nation is a nation, is a state, is an ethnic group, is a

Racial and Ethnic Studies, 1, 388-396.

³ For a 19th century British example, see Walter Bagehot's *Physics and Politics: An Application of the Principles of Natural Selection and Heredity to Political Society*, published in 1880.

CHAPTER THREE

Regional Policy and Structural Funds

Section 1 - Introduction to the Chapter

The organization as well as the four main goals of chapter three are to explain why a regional policy is justified (section 2), to present the Community's regional policy (section 3), to define a region in the EU (section 4), and to explain the process by which regional economic aid is distributed (section 5). Unlike the previous chapter, the following sections will rely heavily on facts and figures published in EU legislation and other official Community documents. Furthermore, although the information in this chapter is regional in nature, it will be presented from the Union's perspective.

A detailed discussion of the EU's regional policy and the Structural Funds is an essential part of this thesis for several reasons. First, the four Structural Funds, i.e. the European Regional Development Fund (ERDF)¹, the European Social Fund (ESF)², the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF)³, and the Financial Instrument for Fisheries Guidance (FIFG)⁴, are the primary "financial instruments" by which the Community pursues its regional policy.

It is important to note, however, that not all of the

objectives of the Structural Funds are exclusively regional. Several of the objectives, Objective 3 (combating long-term unemployment) for example, are not regionally oriented although depressed areas tend to have a higher unemployment rate. Table 1 lists the six priority objectives.

Table 1. Priority Objectives of the Structural Funds.

Objective 1 - promote the development and structural adjustment of regions whose development is lagging behind;

Objective 2 - convert the regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline;

Objective 3 - combat long-term unemployment and facilitate the integration into working life of young people and of persons exposed to exclusion from the labor market;

Objective 4 - facilitate the adaptation of workers of either sex to industrial changes and to changes in production systems;

Objective 5a - promote rural development by speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy;

Objective 5b - promote rural development by facilitating the development and structural adjustment of rural areas;

Objective 6 - to promote the development and structural adjustment of regions with an extremely low population density.

Sources: Council, 1993, p. 7; Council, 1995, p.11.

Equally important is the fact that the Funds do not work alone. Two other financial instruments, the newly created Cohesion Fund⁵ and the European Investment Bank (EIB)⁶, are designed to improve the economic situations in the poorest member states, and to some degree, the least developed regions as well. In order to maintain our regional focus, however, we will only discuss one set of financial instruments, the Structural Funds, and only the regional objectives, namely objectives 1, 2, 5b, and 6.

Second, the EU allocates a significant and ever-increasing portion of its budget to the Structural Funds. From 1987 to 1993, the amount of money earmarked for the Funds doubled from ECU 7.7 billion to ECU 14.4 billion, an increase from 19 to 25% of the total EU budget (Mazey, 1995, p. 83; Council, 1988, p. 17). Subject to any budget reductions, this allotment is currently programmed to increase annually until it reaches ECU 27.4 billion in 1999. See Table 2 for the Structural Funds' spending targets for 1994-1999 which were established by the European Council of December 1992.

Three factors have contributed to the increase in Structural Funds allocation since the late 1980s. First, the last decade witnessed the accession of Greece (1981), Portugal (1985), and Spain (1985), three of the Community's "poor four". Almost every region in Spain plus the whole of Greece, Ireland, and Portugal is eligible for the maximum

amount of regional assistance possible (Objective 1). 70% of the total Structural Funds allocation is reserved for this objective. Objective 1 regions are shaded pink on the map on page 5. Second, the Commission recognized the fact that Europe's move toward a Single European Market (SEM) could have enormous negative effects on many of the already "lagging regions". And finally, Austria, Finland and Sweden, as part of their conditions for accession, began receiving regional economic assistance in 1995 (Council, 1995, p. 218).

Table 2. Commitment Appropriations for the Period 1994-1999.

<u>Year</u>	<u>Total in Billions of ECUs</u>
1994	20.135
1995	21.480
1996	22.740
1997	24.026
1998	25.690
1999	27.400

Sources: European Commission, 1996, p. 16.; Council, 1993, p. 19.

The final reason for studying the regional policy and the Structural Funds is the enormous political effect the Funds have had on all tiers of government from the Commission down to the local level. The prospect of receiving "free money"⁷ by way of the Structural Funds has

permanently altered the relationships between the member states and their regions, but more importantly between the regions and the Commission. Since 1993, the Commission not only consults with leaders of a member state, but also with "competent authorities and bodies ... designated by the member state at national, regional, local, or other level" when formulating regional assistance programs. The Commission refers to this type of dialogue as "partnership" (Council, 1993, p. 8).

In addition, many local and regional authorities no longer rely exclusively on their central governments to act on their behalf and are establishing offices in Brussels in order to lobby the Commission and its committees. An example is the West Midlands Regional Forum of Local Authorities. According to the *Financial Times*, "West Midlands council leaders hope that a fully-staffed office in Brussels will protect the region's EU funding and find new sources of grant aid within Europe (Wolffe, 1996, p. 1). The West Midlands are scheduled to receive 360 million pounds over the next three years. This is the second largest grant in the EU.

One final point needs to be made prior to proceeding. In order to remain within the parameters of this investigation, several topics will not be discussed. First and foremost, this paper will not attempt to gauge the success or failure of the regional policy or the Funds. We

will assume the Commission's facts and figures are accurate and unbiased.⁸ Second we are not concerned with any specific projects or programs financed by the Funds. And finally, we will not pursue any alleged or actual mismanagement of the Funds by the member states.

Section 2 - Economic Integration in the European Union and Its Potential Negative Impact on Regions

From a West European perspective, three steps to full economic integration have been completed. They are a free trade area (FTA), a customs union (CU), and a single market (SM), sometimes referred to as a common market. A FTA is created after two or more trade partners have agreed to eliminate all trade barriers between them. Trade barriers are tariffs but may also include quantitative restrictions (quotas) and product specifications. In a FTA, however, each partner maintains its own trade policies with non-FTA countries. In order to prevent non-FTA members from circumventing the system by importing into the lowest tariff country, a "certificate of origin" must accompany the imported goods. The six core members of the EU (Belgium, France, Germany, Italy, Luxembourg, the Netherlands) established a FTA, the European Economic Community (EEC), in 1958 by ratifying the Treaty of Rome.

The EEC transitioned from a FTA to a CU in 1967 and

became the European Community (EC). This transformation required that all the trading partners adopt a common tariff policy against non-members. In other words, the tariff imposed on an import will be the same whether the imported item enters the CU through Country A or Country B. This obviously requires a significant amount of coordination as well as cooperation among the members and represents a high degree of integration.

With the adoption of the Maastricht Treaty on 1 January 1993, the 15 members of the European Union (EU), its present name, formed a single market. In a SM, not only do goods and services move freely, but labor and capital can move without restriction as well. Workers in Country A can theoretically migrate to other countries without a work permit and without political discrimination. Capital, like labor, is not prohibited from crossing borders either, though exchange rate fluctuations can make transferring money from one country to another risky.

An additional step is currently scheduled to occur in 1999, monetary union (MU). In a MU, the trade partners share a common currency or at least a fixed exchange rate which insures full currency convertibility. MU requires that the partners meet a number of entrance criteria in order to protect the currency from devaluation. As far as the EU is concerned, the two main requirements are a public debt of no more than 60% of GDP and a government spending

deficit of 3% or less.

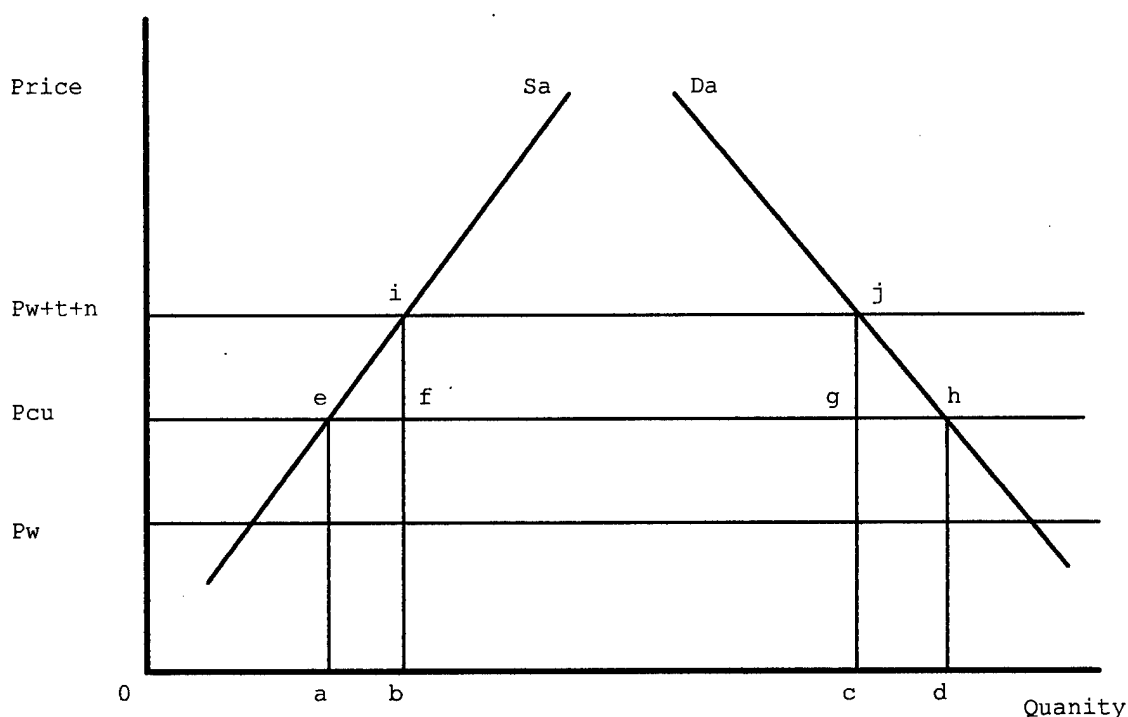
Regions, especially those whose economic sectors, i.e. agriculture, manufacturing, services, have been protected from outside competition by tariffs and/or quantitative restrictions in the past, are extremely vulnerable to one particular side effect of economic integration, trade creation. Trade creation will occur when trade increases between partners of a FTA or CU. Trade increases because the demand in Country A shifts from an expensive domestic to a cheaper imported product, implying a shift from a less to a more efficient producer (Molle, 1994, p. 89). We can graphically depict this situation in Figure 1 with the following example. For the purposes of this illustration, the product in question will be clothing.

In Figure 1, the diagonal lines S_a and D_a are domestic supply and demand, respectively. The fact that lines S_a and D_a do not intersect on this graph indicates that demand cannot be fulfilled internally. In other words, clothing must be imported from another country. The x-axis represents the quantity of clothing. On the y-axis, the prices of clothing on the world market, P_w , in the customs union, P_{cu} , and domestically, P_{w+t+n} , are plotted as horizontal lines which intersect S_a and D_a . In Country A, the domestic price of clothing is equal to the world price plus a tariff, t , and a quantitative restriction, n .

Prior to economic integration, consumers in Country A

paid P_{w+t+n} for clothing. A combination of factors such as raw material shortages, shipping costs, and outdated production techniques accounted for the high price. Due to the strategic importance of clothing, however, the government of Country A decided to protect its domestic clothing industry at the expense of the consumers by imposing a tariff and a quantitative restriction on all clothing imports. The presence of trade barriers enabled clothing manufacturers in Country A to maintain at least a portion of domestic market, Line OB.

Figure 1. Gains due to Trade Creation.



Source: Molle, 1994, p. 94.

Joining the customs union had several consequences for Country A. First, since there are no longer any obstacles to trade among the partners of the CU and since the producers in Country B can manufacture clothing less expensively, the price of clothing fell from P_{w+t+n} to P_{cu} . Consequently, domestic consumption increased from Line OC to Line OD. Finally, domestic production decreased from Line OB to OA. The displacement of domestic supply by foreign supply, depicted by Triangle EFI, is trade creation.

In this scenario, there are two winners: the consumers in Country A, who will now pay P_{cu} for clothing instead of P_{w+t+n} , and clothing exporters in Country B who can now sell clothing at P_{cu} in Country A and whose trade volume has increased from Line OC to Line OD. Molle refers to this increase as "trade expansion". We can depict it as triangle GHJ (1994, p. 89). Producers in Country B are said to have a "comparative advantage" because they can produce at a lower price than those in Country A (Molle, 1994, p. 129). As long as the overall benefits of free trade outweigh the disadvantages, economic integration will proceed and continue to attract new members.

Unfortunately, there are a number of losers in this example as well. Since less clothing is produced domestically, fewer workers are needed. This situation is particularly devastating for a region which is not diversified or developed enough to absorb the surplus of

workers. Consequently, the unemployment rate goes up. Domestic producers are affected too. Less production and thus less profits prevent reinvestment into the industry.

Now suppose that the CU has become a single market. Assuming that cultural barriers are not strong enough to prevent migration, workers will relocate to find jobs or higher wages. As the outflow of workers begins, the population which remains is older, less educated, and probably female intensive. At the same time, the migration target area is flooded with workers. As the number of workers increases in Country B, the price of labor drops. By contrast, the price of labor in Country A rises as the population decreases. The process by which the difference in wages decreases is "convergence". Assuming that the workers in both countries are equally qualified and that there is no economic growth in Country A or B, wages will continue to rise in Country A and drop in Country B, until in several years they coincide.

Capital operates according to many of the same principles as labor. Without limitations on its movement, capital will "migrate" to wherever it gets the highest return. Although low wages are extremely attractive to investors, an area's infrastructure, a population's educational and technical level, and the lack of cultural barriers must be sufficient to ensure productivity. Using the example from above, Country A's "clothing region" was

never very productive to begin with and will undoubtedly repel any potential investors unless improvements are made.

Finally, Monetary Union can have adverse effects on regions as well. In order to meet the criteria for MU, i.e. debt and deficit reduction, Country A will have to adopt some austerity measures. Less money will be spent on entitlements, defense, and especially regional assistance.

Section 3 - EU Regional Policy

From the previous example, it is clear that without some type of intervention from the Community, economic disparities between regions would continue to widen. Therefore, in order to reduce preexisting imbalances as well as those caused by economic integration, the Community must adopt some intervention measures. The most important goal of an intervention measure is to enable a region to develop its "comparative advantage". An effective intervention measure must be able to concentrate the greatest amount of support and to foster a faster rate of growth relative to the rest of the single market in the most deserving regions. Support is concentrated by setting priority objectives such as those listed in Table 1. Tasks such as developing the least-favored regions, restructuring industry, and retraining workers foster a faster rate of growth. The Structural Funds, as the primary financial means by which

the European Union pursues its regional policy, are designed to do both.

According to Title V of the Single European Act, the European Union's regional policy is to strengthen the "economic and social cohesion" of the Community. As cohesion is a rather vague term, we will define it as "the degree to which disparities in social and economic welfare between different regions or groups within the Community are politically and socially tolerable" (Molle, 1994, p. 421). This policy has two general objectives. The first is to reduce "disparities between the various regions and the backwardness of the least-favored regions" (Article 130a). As highlighted in chapter one, the uneven distribution of modernization and industrialization from region to region in Western Europe is the result of many factors, including location, natural resources, manpower and so on, factors whose history long predates that of European economic integration.

The second goal is "the development and structural adjustment of regions whose development is lagging behind and ... the conversion of declining industrial regions" (Article 130c). Although "lagging" and "declining industrial" regions may have appeared without integration, the elimination of trade barriers has undoubtedly accelerated the process. In order to achieve the goals of the regional policy, the Commission divided Europe into

manageable subunits.

Section 4 - The Regionalization of Europe

The officials of the European Union recognized at the 1961 Conference on Regional Economies the need to "regroup at Community level the basic administrative units in order especially to study the consequences of the Customs Union and of economic integration on areas ranking next in size to national (member state) territories" (Statistical Office, 1975, p. 43). In order to conduct its study, the Statistical Office of the European Communities (SOEC) established a *Nomenclature des Unités Territoriales Statistiques* (NUTS).

Through this hierarchical system, the SOEC classified the territorial units of each member state in decreasing size order into one of three sets: *Régions Communautaires Européennes* (RCE), *Unités Administratives de Base* (UAB), and *Subdivision de Unités Administratives de Base* (SUAB) (Statistical Office, 1986, XLII). In theory, a member state would consist of two or more RCEs, a RCE would consist of two or more UABs, and an UAB would consist of two or more SUABs. In 1986, the SOEC simplified the nomenclature by changing the designations for regions to NUTS 1, NUTS 2, and NUTS 3 where a NUTS 1 region corresponds to a RCE and is the largest unit below the member state level (Statistical

Office, 1986, pp. 1-7). The NUTS 1 through NUTS 3 designations are still in use today. NUTS 1 and 2 regions are depicted on the color map on page 5.

Without changing the internal borders of the member states, a competence the Union does not have, the task of grouping territorial units into sets where each region would be identical in size and population proved to be impossible. Therefore, the SOEC adopted a system according to the divisions already in place, with a few minor adjustments. For example, a NUTS 1 region in the Federal Republic of Germany corresponds to a *Land*, e.g. Hessen, Saarland, Rheinland-Pfalz. In Great Britain, the "Standard Regions"⁹ have NUTS 1 status.

Some member states like Austria, Greece, Italy, Portugal, and Spain, however, did not have sub-state units that were equivalent to Standard Regions or Länder. The SOEC, consequently, created NUTS 1 regions by grouping smaller units together. By contrast, Luxembourg is smaller than some NUTS 3 regions in other countries. For a correspondence between the NUTS levels and the administrative divisions of the member states, see Table 3.

Since the 1988 reform of the Structural Funds, NUTS 2 and NUTS 3 regions, depending on the objective, have become the specific targets of regional economic aid in addition to the original purpose of tracking population, unemployment, and standard of living levels within the Community. This

does not imply that the Commission transfers money directly to regions, but rather means that the Commission will only approve aid for specific projects in particular areas based on the goals of the project. The relationship between objectives and regions will be discussed in the next section.

Table 3. NUTS Levels and the Administrative Divisions of Member States in the European Union.

<u>State</u>	<u>NUTS 1</u>	<u>NUTS 2</u>	<u>NUTS 3</u>	
Belgique	Régions	3 Provinces	11 Arrondissements	43
Danmark	N/A	1 N/A	1 Amter	15
Deutschland	Länder	16 Regierungsbezirke	38 Kreise	445
Ellada	NUTS 2 groupings	4 Development regions	13 Nomoi	51
España	Agrupción de Comunidades autonomas	7 Comunidades autonomas + Ceuta y Mellila	17 Provincias + 1 Ceuta y Mellila	50 2
France	Z.E.A.T. + DOM	8 Régions + 1 DOM	22 Départements + 4 DOM	96 4
Ireland	N/A	1 N/A	1 Regional Authority Regions	8
Italia	Gruppi di Regioni	11 Regioni	20 Provincie	103
Luxembourg	N/A	1 N/A	1 N/A	1
Nederland	Landsdelen	4 Provincies	12 COROP-Regios	40
Österreich	Gruppen von Bundesländern	3 Bundesländer	9 Gruppen von Pol. Bezirken	35
Portugal	Continente + Regioes autonomas	1 Comissaoes de 2 coordenacao regional + Regioes autonomas	5 Grupos de Concelhos 2	30
Suomi	Manner-Suomi	2 Suuralueet	6 Maakunnat	19
Sverige	N/A	1 Riksområden	8 Län	24
U. Kingdom	Standard Regions	11 Groups of Counties	35 Counties/Local authority regions	65
EU 15		77	206	1031

Source: Commission européenne, 1996, p. 5.

Section 5 - Aid Distribution

The 1988 reform of the Structural Funds completely revamped the way regional financial aid is transferred from the Commission to the member states. The three most significant measures adopted were the following. First, the Commission would no longer distribute money to the member states based on a pre-determined quota. For example, previously the United Kingdom received 28.0% of the ERDF regardless of need. Ireland, on the other hand, only received 6.0% (Armstrong, 1995, p. 36). Second, the Commission began classifying regions by the priority objectives using their own criteria instead of that of the member states (Armstrong 1995, 43). For example, a NUTS 2 region whose per capita GDP has been less than 75% of the Community average for three consecutive years is eligible for financial assistance under Objective 1 (Council, 1993, p. 10). NUTS 3 regions are the recipient of Objective 2 and Objective 5b aid whereas Objective 6 supports NUTS 2 areas (see map on page 5). Finally, a policy of "additionality" was adopted. Funds committed by the Commission would be used in addition to member state resources. Generally, the Commission will not finance more than 75% of a project (Council, 1993, p. 16).

Now that the quota system has been abolished, there are two processes by which the Commission grants regional

economic aid: national initiatives and community initiatives. In the national assistance process, there are generally three phases. In the planning phase, competent leaders at "the geographical level most appropriate" (local, regional or member state) prepare plans which correspond to the priority objectives. For example, a regional development plan would only include projects within a NUTS 2 region which meet the parameters of Objective 1. A regional and social conversion plan is prepared for Objective 2 projects in a NUTS 3 region. Each member state collects the plans and sends an overall plan per objective for all their regions to the Commission.

A plan from a member state to the Commission must include several elements. At a minimum, it must address the current situation within the region with regard to disparities, a description of the development strategy, an assessment of the environment and what effects the strategy will have on the environment, and an overall financial table summarizing the state and Community financial resources which will be employed to pursue the strategy (European Commission, 1996b, pp. 44-45; Council, 1993, pp. 10-11).

During the next phase, the Commission evaluates the plans to ensure they are consistent with the priority objectives. The Directorates-General¹⁰ for Regional Policy and Cohesion (DG XVI), Employment, Industrial Relations, and Social Affairs (DG V), Fisheries (DG XIV), and Agriculture

(DG VI), as the respective managers of the ERDF, the ESF, the FIFG, and the guidance section of the EAGGF, do the actual evaluations depending on the priority objective (European Commission, 1996b, p. 129). For example, only DG XVI and DG V assess plans concerning Objective 2 because the EAGGF only supports Objectives 1, 5a, and 5b.

Prior to approving assistance, the Commission consults with the "economic and social partners" at the member state, regional, and local levels. Once approved, the Commission issues a Community Support Framework for each priority objective. Community Support Frameworks cover specific development projects to be financed, which fund will support each project, the duration of the support, and monitoring procedures (European Commission, 1996b, p. 45; Council, 1993, p. 11).

The final phase, implementation, involves transferring financial assistance from the Commission through the member state to the appropriate level and the completion of approved projects. Most financial assistance comes in the form of an operational program (OP). OPs comprise a series of multiannual measures funded by one or more of the Structural Funds, one or more of the other financial instruments, and/or the EIB (European Commission, 1996b, p. 43; Council, 1993, p. 9).

There is an alternative to the national initiative. A member state can submit a single program document to the

Commission for approval. A single program document follows the same general guidelines of a regional development plan, but only pertains to one project.

Community initiatives are generated by the Commission for the good of the Union. The Commission reserves 9% of the total money allocated for the Structural Funds in order to support community wide projects. As of June 1994, there were 13 initiatives. Two examples are "Retex", a program designed to promote economic diversification in areas heavily dependent on the textile and clothing industry, and "Konver", a program to promote diversification in regions heavily dependent on the defense sector (European Commission, 1996b, p. 24).

Section 6 - Summary

In this chapter, we have examined the European Union's regional policy and the Structural Funds. The EU's regional policy aims to strengthen the "economic and social cohesion" of the Community. We defined cohesion as reducing regional disparities to a tolerable level. Although many imbalances existed before the Treaty of Rome, economic integration has created negative side effects for regions whose economic sectors were protected in the past.

The four regional priority objectives of the Structural Funds support the regional policy by enabling the Commission

to concentrate support in the least-favored areas. The tasks of the Funds are to make each region attractive for investment through regional development, worker retraining, and industrial restructuring which will ultimately facilitate growth. Growth prevents migration and wage convergence.

In the following section, we discovered that a region is not only a territorial unit for statistical purposes but also a target for economic aid. In the final section, the two main processes by which regional aid is distributed, national and Community initiatives, were outlined.

Having defined a nation (chapter two) and having identified the regional policy and the Structural Funds (chapter three), we are now prepared for the two case studies, Scotland and Flanders. Both nations are NUTS 1 regions and have exhibited significant amounts of nationalism in the past. After identifying what effects the Structural Funds have had on nationalist movements in both regions, we will be able to draw some general conclusions concerning nations, nationalism, and the Structural Funds.

Notes

- 1 The ERDF provides support for:
 - a. productive investment;
 - b. the creation and modernization of infrastructure

which contributes to the development or conversion of the regions concerned;

- c. measures to exploit the potential for internally generated development of the regions concerned;
- d. investment in the field of education and health in the regions concerned by Objective 1.

2 The ESF contributes to:

- a. facilitating access to the labor market;
- b. promoting equal opportunities in the labor market;
- c. developing skills, abilities, and professional qualifications;
- d. encouraging job creation.

3 The Guidance section of the EAGGF is concerned with:

- a. strengthening and re-organizing agricultural and also, in this context, forestry structures, including those for the marketing and processing of agricultural products and helping to offset the effects of natural handicaps on agriculture;
- b. ensuring the conversion of agricultural production and fostering the development of supplementary activities for farmers of either sex;
- c. helping to ensure a fair standard of living for farmers of either sex;
- d. helping to develop the social fabric of rural areas, to safeguard the environment and to preserve the countryside (*inter alia* by securing the conservation

of natural agricultural resources).

⁴ The tasks of the FIFG are:

- a. to contribute to achieving a sustainable balance between resources and their exploitation;
- b. to strengthen the competitiveness of structures and the development of economically viable enterprises in the sector;
- c. to improve market supply and the value added to fisheries and aquaculture products.

⁵ Although the Cohesion Fund is "structural" in nature and many authors refer to it as if it were one of the Structural Funds, this paper will treat it as a separate entity for two reasons. First, the Cohesion Fund operates under a separate accounting category from the Structural Funds. Second, the Cohesion Fund does not target specific regions as do the ERDF, the ESF, the Guidance Section of the EAGGF, or the FIFG. Created by Council Regulation (EEC) No. 1164/94 of 16 May 1994, the Cohesion Fund can only contribute to environmental projects or projects which improve trans-European transport infrastructure in countries whose per capita gross national product (GNP) measured in purchasing power parities (PPP) is less than 90% of the Community average. For the time period 1994-1999, only Greece, Ireland, Portugal, and Spain are eligible for the Cohesion Fund.

⁶ Part III, Title IV, Article 129 of the 1957 Treaty

establishing the European Economic Community, also known as the Treaty of Rome, established the EIB. According to Title IV, Article 130, one of the tasks of the EIB is to finance "projects for developing less-developed regions".

. 7 "Free money" refers to the fact that the EU's sources of revenue are relatively transparent to the average citizen. The EU has four sources of revenue: custom duties levied on products imported from outside the Community, agricultural levies and contributions, a value-added tax, and GDP-related contributions from the member states (Molle, 1994, pp. 70-71; Hancock & Peters, 1993, pp. 492-495).

8 The Commission estimates that the Structural Funds have raised the level of prosperity by 1.5 to 3.5% and have created 500,000 new jobs (European Commission, 1994, p. 4).

9 The "Standard Regions" were created by the British Central Statistical Office in 1965 in order to compare different regions within the United Kingdom. Scotland, Wales, Northern Ireland, and East Anglia are four of the 11 "Standard Regions" (Statistical Office, 1975, p. 44).

10 The Commission is divided into 26 Directorates-General. Each DG is responsible for a specific area of responsibility, e.g. agriculture, tourism. Every DG reports to a Commissioner. Since there are only 20 Commissioners, some Commissioners are responsible for than one DG.

CHAPTER FOUR

Case Studies

Section 1 - Introduction to the Chapter

In chapter four, we will examine two case studies, Scotland and Flanders, in accordance with the information presented in chapters two, and three. As we discuss each nation separately, we will answer three questions: what are the most significant aspects of Scottish and Flemish national identity relevant to their politico-economic relationship with their host state? What is the economic dimension of Scottish and Flemish nationalism? And what are the specific effects the structural funds have had on nationalist movements in both regions?

As mentioned previously, any number of nations could have been chosen. The Basque Country, Catalonia, Wales, or Brittany would have made interesting case studies. However, Scotland and Flanders were picked for several reasons. The United Kingdom is the most centralized country among the 15 EU member states, whereas Belgium has a federal system. Scotland qualifies as a "poor" region while Flanders is "rich". But on the other hand, both regions have a strong national identity which is both separate and distinct from its host state.

In each case study, we will begin with some background

information before discussing the specific effects the Structural Funds have had. The intent is not to retell the story of each nation, but rather to highlight particular aspects in each nation's history which will make the effects of the Structural Funds more relevant.

Ideally, we would like to discover a direct correlation between the Structural Funds and the level of nationalism in each nation. That is to say, as regional economic disparities are eliminated through the Funds, we would expect national movements to lose some of their popular support. However, this assumption is too simplistic for several reasons. First of all, nationalism is not a quantifiable entity in and of itself. We can often measure the "symptoms" of nationalism through opinion polls and election results. However, even polls and ballots require a detailed analysis in order to create an accurate picture.

Second, economics is only one aspect of nationalism. Two other factors, namely politics and culture, have historically been the most important aspects of nationalist movements. Both case studies attest to this fact. Scottish nationalism was not economically motivated, but rather emerged because of English political and military threats to Scottish sovereignty. By contrast, the Flemings have fought for cultural equality since Belgian independence in 1830. Flemish nationalism did not adopt an economic dimension until the 1960's.

And finally, the regional policy and the Structural Funds are only one aspect of European Union policy. Determining what effects the Funds are having is only the first step in answering the much larger questions of what is nature of nationalism in an EU context and what is the overall effect European unification is having on nationalist movements.

Recognizing the limitations of this thesis is by no means intended to diminish the importance of the investigation. It is a way of acknowledging the fact that further research is required if we are to understand the entire implication of integration on European nations.

Section 2 - Scotland

Scots and Scotland, ironically, were not the original names of the people or the land, respectively. The indigenous inhabitants of the region were the Picts and the area was called Alba. This group, which has an obscure origin, is believed to have been a Celtic tribe which settled on the north end of the British mainland as early as 500 BC. The Scots proper were a small band of Celts who began immigrating from Ireland around the end of the fifth century AD. The Scots established a kingdom, Dalriada, on the western shores of what is now the region of Strathclyde.

Although there was some intermarrying between the two

groups, the Scots and the Picts coexisted rather peacefully but separately for several hundred years until 842 AD. In that year, Kenneth MacAlpin, the king of the Scots, inherited the throne of Alba. Several years earlier, he had married the daughter of the Pictish king. But over the course of several years, the Pictish king and all his male heirs were killed while fighting Viking invaders. During his reign, Kenneth successfully drove the Vikings from the kingdom, thus securing his position among the Pictish population.

The Scots, who only represented five percent of the total population, essentially became the dominant ethnic core of the Scottish nation. The Picts, whose language resembled Welsh, adopted the Gaelic idiom and eventually began referring to themselves as Scots as well. The earliest references to the region as Scotland, as opposed to Alba or Dalriada, appeared in monkish documents as early as 1100 AD. The Scots proper do, however, appear to have adopted several aspects of the Pictish culture. The wearing of kilts, one of the most recognized symbols of modern Scottish identity, is depicted in carvings and symbol-stones which were made by the Picts well before the arrival of the Scots. The Pictish tradition of selecting kings was preserved for several centuries as well. Kings were chosen from the ruling family by their ability to lead, not necessarily by their order of birth (Young, 1970, pp. 5-6;

Tranter, 1987, pp. 1-13).

A recurring theme throughout Scottish history and one which still has implications today is undoubtedly England's claim of suzerainty over Scotland. This claim dates back to the reign of Malcolm II from 1005 to 1034 AD. King Canute, having declared himself the king of the Danes and Anglo-Saxons, persuaded Malcolm to take an oath of fealty in order to prevent an invasion by the vastly superior English army. This oath, along with numerous intermarriages between the Scottish and British royal lines, was the catalyst for an almost continuous struggle between the two countries before and after the Treaty of Union in 1707 (Tranter, 1987, pp. 18-20).

The struggle has had a significant impact on Scottish national identity by influencing two dimensions of the Scottish *ethnie*, specifically a shared history and a sense of solidarity. Since Edward I's reign, there have been innumerable battles between the Scots and the English concerning Scottish sovereignty. Several men, including Sir William Wallace and Robert the Bruce, have emerged as national heroes because of these battles. Equally important is the fact that the struggle enabled the clans, who were skeptical of centralized power, to unify from time to time in order to fight the English.

Several modern aspects of the Scottish nation began emerging around the end of the seventeenth century. In

1696, the Scottish national educational system was implemented. Also, a commercial class was emerging in Scottish society around the same time. In 1698, the Scots attempted to establish a colony at Darien, located on the Isthmus of Panama, in order to control the overland trade route between the Pacific and Atlantic Oceans. Eventually, the Scots planned to build a canal for trade ships which would link the two bodies of water.

According to Nigel Tranter, the Darien project evolved into a national effort. After foreign investors withdrew their support under British pressure, Andrew Fletcher, the project's chief organizer, had no other option but to raise the necessary money from within Scotland. Nevertheless, the attempt to colonize Darien was a failure and nine years later the Scottish Parliament was united with its British counterpart under the Treaty of Union. Whether the Scottish parliamentarians recognized the economic advantages of union or they were bribed is unclear, but the vote to unify the assemblies passed without popular support (1987, pp. 195-204).

Although Scotland was no longer a sovereign state, the Treaty did guarantee that several Scottish institutions would remain in existence: the Church of Scotland (Presbyterian), the Scottish educational system, and the Scottish legal system. Scottish law is derived from French and Roman law as well as common law (Peters, 1993, p. 7).

Consequently, the Scottish national identity has endured into the late twentieth century. One means by which we can confirm this fact is through opinion polls. For example, of all the Scots surveyed by the Commission on the Constitution in 1970, 94% responded favorably to being called Scots as opposed to any other collective name. This percentage was the highest of any region in the United Kingdom (1973, pp. 46-47).

Today, the administration of Scotland is conducted by the Scottish Office, a cabinet department. The secretary of state for Scotland is a cabinet member appointed by the prime minister from the ruling party. Furthermore, local government is not independent of the central government, but a creation of it. Any competences that local government enjoys have been delegated to them from the British Parliament which is sovereign.

The fact that Scotland has had no assembly of its own since 1707, coupled with economic imbalances between Scotland and England, has fueled a desire by the Scottish electorate for varying degrees of devolution of powers from Westminster.

Currently, about one in four Scots surveyed want Scotland to be independent, while 50% would prefer a parliament. Despite having roughly 70% of Europe's oil supply, Scotland has historically had a higher unemployment rate and a lower per capita GDP than the United Kingdom as a

whole and especially the Southeast region of England. Southeast is the NUTS 1 region in which London is located. We can numerically depict the differences in per capita GDP and unemployment in Tables 4 and 5.

Table 4. Sample Unemployment Percentages for Scotland, the United Kingdom, and the Southeast Region.

<u>Year</u>	<u>Scotland</u>	<u>United Kingdom</u>	<u>Southeast Region</u>
1973	3.9%	2.1%	1.4%
1985	14.2%	10.9%	8.0%
1996	7.9%	7.4%	7.1%

Sources: Statistical Office, 1975, pp. 256-257; Statistical Office, 1986, pp. 6-7; Hannan, 1996, p.10; UK, 1996, no page available.

Table 5. GDP per capita in Scotland, the United Kingdom, and the Southeast Region as a Percentage of the EU Average.

<u>Year</u>	<u>Scotland</u>	<u>United Kingdom</u>	<u>Southeast Region</u>
1973*	95%	100%	115%
1985	97%	98%	114%
1992	86%	88%	103%

* For 1973, these percentages are of the UK average.

Sources: Statistical Office, 1975, p. 295; Statistical Office, 1986, pp. 6-7; Statistical Office, 1995, p. 11.

Another sharp economic contrast between England and its "Celtic fringe" concerns regional aid from the European Union. Since 1994, the only English Objective 1 region is Merseyside, a NUTS 2 region in which Liverpool is located (European Commission, 1996, p. 53; Council, 1993, p. 19). By contrast, Northern Ireland and 40% of Scotland (Highlands and Islands region) are eligible for the maximum amount of economic aid possible as Objective 1 regions (see color map on page 5).

Between 1994 and 1999, the Highlands and Islands region of Scotland will receive ECU 311 million under a Single Programming Document (SPD) adopted by the European Commission in July 1994. Of the aid to be received, 58% will come from the ERDF, 18% ESF, 18% EAGGF, and 6% FIFG. The funds will finance a variety of projects ranging from business development to tourism (DG XVI, 1996c, web page).

During the research for this thesis, the author identified three examples in which the Structural Funds had a direct effect on nationalist movements in Scotland. The first two include the Scottish National Party, a political party which advocates Scottish independence within the European Union. The third concerns the establishment of independent Scottish lobbying groups in Brussels.

In late 1993, the European Commission redesignated which areas within the Community would be eligible for the Structural Funds by priority objective, i.e. 1, 2, 5b or 6.

For example, the Highlands and Islands region was not an Objective 1 region before 1994. For a region to be eligible for economic assistance, a request must be made to the Commission by the appropriate regional authorities and endorsed by the government of the member state. The process will take place again before the year 2000.

In example one, the Scottish National Party used the Structural Funds as a means to criticize the ruling Conservative Party for its failure to endorse Grampian's request to designate every rural area in the region as an Objective 5b region. Grampian is a NUTS 2 region located along the eastern coast of Scotland. Although the Grampian authorities made a case for every NUTS 3 region within their jurisdiction, the British government did not support Banff and Buchan for Objective 5b status.

Consequently, Banff and Buchan were omitted from a SPD in which Grampian will receive ECU 39.54 million from the Commission for the period 1994 to 1999. This SPD will finance business developments, vocational training, and environmental schemes in eligible areas (DG XVI, 1996a, web page). Furthermore, 20,000 people, many of them voters, were denied the benefits of funding from the EU.

Whether it is a coincidence or not, it should be noted that the MP for Banff and Buchan is Alex Salmond, the leader of the Scottish National Party. In the October 1993, Salmond claimed, "This is another example of the Tories

failing Scotland, whether through incompetence, or through a politically motivated desire to channel Euro funds to the South of England instead" (Tinning, 1993, p. 11).

In the second example, the Structural Funds have influenced the Scottish National Party to reverse its previous position on the European Union. Originally opposed to Britain's entrance into the EC in 1973, the SNP has adopted an "independence in Europe" position since then. The SNP Research Department cites in a recent report that because of the Structural Funds, Ireland is "outstripping Scotland - under the Union - in terms of growth, attracting more than half of all software investment coming from Europe in 1994 and 40 per cent of U.S. total foreign hi-tech investment over the past two decades" (SNP Research Dept., 1996, web page). Since 1973, Ireland has received over 18.5 billion pounds of regional aid from the Commission.

The fact that Ireland's per capita GDP is now 89.9% of the EU average is phenomenal (Barber, 1996, p.4). As late as 1992, Ireland's GDP per inhabitant was only 69% of the EU average (Statistical Office, 1995, p. 7). Some economists predict that by the year 2000, Ireland's economy will surpass that of the UK. These figures and predictions have not gone unnoticed by the leadership of the SNP. Alex Salmond, in his convening speech to the 1996 SNP Annual Conference, stated, "Ireland is one of many independence success stories." And added, "Ireland is doing so much with

so little while Scotland is doing so little with so much" (Salmond, 1996, web page).

The final example concerns Scottish lobbying organizations in Brussels. The Scotland Europa Center in Brussels houses all the Scottish lobbying organizations, government supported as well as independent. Independent groups include the Convention of Scottish Local Authorities (COSLA), the East of Scotland European Consortium (ESEC), the Highlands and Islands European Office/Grampian Office, and the Strathclyde Regional Council Office.

Normally lobbying organizations are not considered as part of a nationalist movement, but this thesis has included them for several reasons. First, many of Scotland's lobbying groups are not financially supported by the British government, but are local ventures. Second, the groups are organized along ethnic lines. Third, as representatives of the Scottish regions, they are essentially circumventing the central government. And finally, the stated mission of the lobbying groups is to maximize their region's financial assistance from the EU which will in turn reduce Scotland's economic imbalance with England.

Although many Scottish lobbyists have been active in Brussels for several years, the need to establish offices in Brussels was confirmed last year. Last October, it became public that Locate in Scotland, a governmental agency responsible for promoting investment in Scotland, had not

created a single job in the Borders region since 1981. In fact, the region is losing jobs at a rate of 100 per year. Furthermore, the competition for EU funds is becoming stronger. As budgets are cut and austerity measures are adopted, fewer and fewer funds will be available for regional economic aid.

Section 3 - Flanders

Unlike the Scots, a distinctive Flemish national identity, separate from the Dutch, did not emerge until relatively late in European history for two reasons. First, the Southern Netherlands, which eventually became the Belgian region of Flanders, and the Dutch Republic were not politically separated until 1581, when the United Provinces declared their independence from the Habsburg Empire. The Southern Netherlands, being Catholic, remained loyal to Phillip II and a part of the Habsburg Empire until 1795, when it was annexed by France. And second, the Flemish identity has been reinforced by a continuous linguistic struggle in Belgium between the Francophone Walloons and Dutch-speaking Flemings since the country's independence in 1830.

The Belgian state was originally Francophone, even though most of its citizens did not speak French. According to the 1846 census, only 42.1% of the population responded

that French was their primary language. The majority, 57.0%, spoke Flemish, a dialect of Dutch, and 0.8% spoke German. Furthermore, in the Flemish provinces of Antwerp, Flemish Brabant, East Flanders, West Flanders, and Limburg, no more than 4.0% of the inhabitants primarily used French. This 4.0% consisted mainly of Belgium's ruling bourgeoisie. In addition to being a unitary state, enfranchisement was restricted to property owners, most of whom were French-speakers.

Although the 1831 constitution guaranteed linguistic liberty, a series of laws was instituted in the late 19th century which imposed a form of bilingualism. Wallonia remained Francophone, but Flanders became bilingual. It was not until 1898 that Dutch (Flemish) was officially recognized as an official language in Belgium.

In 1932, a new policy of territorial unilingualism was adopted. French continued to be the official language in the provinces of Walloon Brabant, Hainaut, Liege, Luxembourg and Namur, but was dropped in Flanders. Dealings with the public were now to be conducted in the official language of the region. Brussels, although located in Flanders, officially became a bilingual city in which French and Dutch were considered equal.

The 1932 law had one significant effect on the Flemish nation, besides the fact that Flemings would no longer be required to conduct public business in French. Since most

Francophones could not speak Flemish, it allowed many Flemings to acquire prominent administrative positions within their community. From that time forward, the Flemings were no longer an ethnic minority within their own country.

Until the 1960's, there was no clear regional boundary between Wallonia and Flanders. The border depended on census data. Therefore, after each census, the line had to be redrawn. After several censuses, it became apparent that Wallonia and Brussels were growing at Flander's expense. Therefore, under Flemish pressure, Parliament passed the most significant law concerning language in 1962. A fixed linguistic dividing line was drawn across the country, separating Wallonia from Flanders. Another line was drawn around Brussels, permanently limiting the predominantly French-speaking capital to 19 municipalities.

Once the regions had been established by law, a movement to federalize the state began. From 1970 to 1995, a set of constitutional reforms were implemented resulting in the creation of five popularly elected sub-state councils, i.e. Flemish, German Community, French Community, Walloon Regional, and Brussels Regional, and a federal government only responsible for constitutional matters, foreign policy, defense, economic and monetary policy, law and order, and social security. All other competences, e.g. education, trade, environment, etc., were devolved to the regional and

community councils. In areas which are no longer the responsibility of the federal government, environment for example, regional or community council representatives attend meetings at the EU level.

Not only does the linguistic border separate the Dutch-speakers from the Francophones, but it serves as an economic boundary as well. Since the 1960s, the Flemish economy has surpassed that of Wallonia in terms of GDP per inhabitant and unemployment. The Walloon economy has traditionally depended on the coal and steel industries, both of which have lost their competitiveness since 1945. We can numerically depict the differences in per capita GDP and unemployment in Tables 6 and 7.

Table 6. Sample Unemployment Percentages for Flanders and Wallonia.

<u>Year</u>	<u>Flanders</u>	<u>Wallonia</u>
1973	1.5%	2.2
1985	11.0%	13.1
1994	7.4%	13.0

Sources: Statistical Office, 1975, pp. 254-255; Statistical Office, 1986, pp. 6-7; Hannan, 1996, p.10; UK, 1996.

The fact that there are considerable differences in GDP between Wallonia and Flanders is prompting the Flemish

government to push for more powers at the sub-state level. With Belgium maintaining a single social security system, the Flemings are net contributors in excess of 250 billion Belgian francs (\$8.3 billion) per year to a system which penalizes Flemish prosperity (EC, 1993, no page available). When the next round of constitutional reforms begins in 1999, the Flemings will demand that the Social Security System be divided and transferred to the regional governments.

Table 7. GDP per capita in Flanders and Wallonia as a Percentage of the EU Average.

<u>Year</u>	<u>Flanders</u>	<u>Wallonia</u>
1973*	97%	86%
1985	97%	81%
1992	107%	85%

* For 1973, these percentages are of the Belgian average including Brussels.

Sources: Statistical Office, 1975, pp. 294; Statistical Office, 1986, pp. 6-7; Statistical Office, 1995, p. 3.

Another sharp economic contrast between Flanders and Wallonia concerns regional aid from the European Union. Since 1994, the only Objective 1 region in Belgium is the

entire Walloon province of Hainaut. Hainaut is a NUTS 2 region which shares its northern border with two Flemish provinces, East and West Flanders, and its southern border with France. By contrast, only a small portion of Flanders is eligible for any regional aid at all (see color map on page 5).

Between 1994 and 1999, Hainaut will receive ECU 730 million under a Single Programming Document (SPD) adopted by the European Commission in June 1994. Of the aid to be received, 70.67% will come from the ERDF, 22.83% ESF, 6.43% EAGGF, and .05% FIFG. The funds will finance a variety of projects ranging from reviving economic activity to developing transport infrastructure (DG XVI, 1996b, web page).

Although regional aid in Wallonia may initially seem irrelevant to nationalist movements in Flanders, the fact that Hainaut will receive a quarter of a billion ECUs from the European Commission from 1994 to 1999 prompted a nationalist reaction from the Flemish government. In order to prevent the Francophones from gaining a significant economic advantage, the Flemish government "demanded" that the Commission approve a plan to provide subsidies to industries located in a buffer zone located along the Hainaut-Flanders border (Flanders, 1995, no page available).

Articles 92 through 94 of the Treaty of Rome prohibit the governments of member states, as well as regional

governments, from "distorting competition" within the European Union by giving unfair advantages such as subsidies to firms. In fact, the Commission has the authority to impose penalties on anyone who violates the competition policy (Molle, 1994, pp. 361-370). The Flemish government felt that businesses would naturally be attracted to Hainaut by the financial incentives offered to set up there. Of the ECU 730 million earmarked for Hainaut, the Commission stipulated that 75% must be used to attract new businesses (Belgium's, 1995, no page available).

The only other link, albeit indirect, between the Structural Funds and nationalist movements in Belgium concerns the Vlaams Blok (Flemish Block). The Vlaams Blok is an extreme right nationalist party which has gained support during the last few elections. Since the early eighties, electoral support for the party has steadily risen from about 2% to 12.4% in the most recent national election in 1995. Although the party advocates a racist ideology, more than half (62.6%) of all the voters who cast ballots for the Vlaams Blok in the 1989 European elections were not racist, according to a study done by the Flemish Inter-university Center for Political Opinion Research. The study defined a racist as one who believes that whites are genetically superior to non-whites. In fact, only 31.3% of Flemish voters considered to be racists supported Vlaams Blok candidates.

The study concluded that what attracted most voters to the party were the anti-foreigner portions of the party's platform (De Witte, 1996, pp. 397-411). For example, the Vlaams Blok wants Brussels to be the capital of an independent Flanders within the European Union, but not the capital of Europe. It is against foreigners voting in local elections. And finally, it opposes the "internationalization" of the areas surrounding Brussels (Vlaams Blok, 1996, web page).

Several aspects of Belgian and Flemish society contribute to this attitude. First, Brussels is not only the capital of Belgium, but also the headquarters for the North Atlantic Treaty Organization (NATO), the European Commission, and the home of over 10,000 full-time EU lobbyists, many of whom are there for no other reason than to seek out economic aid for their region. Second, according to the Belgian constitution, Brussels can not expand beyond its 19 municipalities. Therefore, many "foreigners" are forced to maintain residences in Flemish communities outside the city limits of Brussels. And third, Flemings are very sensitive to matters concerning language. Since most lobbyists either speak English or French as a second language, their presence has an "internationalizing" effect on Flemish communities. In other words, foreigners are seen as a threat to Flemish identity (Van Dyck, 1996, pp. 441-446).

Section 4 - Summary

From both these case studies, we can identify several effects the Structural Funds have had on nationalist movements in the European Union. In Scotland, the Funds seem to have had the most influence on the Scottish National Party. Although the British Labour Party and the Scottish Liberal Democrats both favor some degree of devolution in Scotland, there is no documented link between the Funds and their political platforms.

The SNP openly credits the Structural Funds as the key to Ireland's economic success in the 1990's, a success which would also presumably be available to an independent Scotland within Europe. The SNP also uses the Funds to discredit the Tories, the ruling party. According to party leaders, failing to endorse Grampian's entire request for regional aid is another example of the Tories neglecting Scotland. Whether it is neglect by the British government or something else, Scottish local governments have taken it upon themselves to set up offices in Brussels in order to lobby EU officials for economic aid. Scotland alone has four separate groups independent of the British government in the European capital.

In Flanders, the situation is rather different. Of the two examples connecting the Structural Funds to nationalism, only one, the Flemish demand to subsidize

Flemish industries, is a direct effect. In the second example, the Structural Funds have had an indirect effect on nationalist movements in Flanders. Support for the Vlaams Blok is in response to Brussels' role in the EU. However, the Structural Funds have contributed to the influx of foreigners into the Flemish suburbs of the capital city.

CHAPTER FIVE

Conclusions

This thesis has discussed the effects of the Structural Funds on nationalist movements in the European Union. In chapter one, we discovered that a nation is an extremely complex unit. It not only consists of a socio-cultural component, but also has a political, economic, and territorial dimension as well. We adopted Anthony Smith's model of a nation, "a named human population sharing an historic territory, common myths and historical memories, a mass, public culture, a common economy, and common legal rights and duties for all its members." By using Smith's model, we are able to exclude several socio-cultural groups, i.e. ethnic groups, tribes, etc., which are often confused with nations. We defined nationalism as "an ideological movement aiming to attain or maintain autonomy, unity, and identity for a social group." We closed out chapter one by examining four theories which link nationalism and economics.

In chapter two, we examined the EU's regional policy and the Structural Funds. The EU's regional policy is to strengthen the "economic and social cohesion" of the Community. We defined cohesion as reducing regional disparities to an acceptable level. Although many imbalances existed before economic integration began, the

single market has created negative side effects for some regions. The four regional priority objectives of the Structural Funds support the regional policy by enabling the Commission to concentrate aid in the least-favored areas. The tasks of the Funds are to make each region attractive for investment which will eventually lead to economic growth. Finally, we discovered that a region is a category by which the Commission can account for the effects of economic integration and a target for economic aid.

In the last chapter, we discovered that the Structural Funds have had documented, albeit different, effects on nationalist movements in both Scotland and Flanders. The Scottish National Party uses the Funds to discredit the Conservative Party and demonstrate that an independent Scotland in Europe is feasible. The Funds have also contributed to the establishment of several lobbying offices in Brussels to secure financial assistance from the EU. In Flanders, a grant to Francophone Wallonia prompted the Flemish government to subsidize industries in two of its provinces. The right-wing nationalist party Vlaams Blok has also benefitted from anti-foreigner sentiments in Flanders and Brussels.

From this investigation, we can draw two general conclusions concerning Structural Funds and nationalist movements within the European Union. First, the Structural Funds have had an effect on nationalist movements within the

member states of the European Union. The specific effect, however, is dependent on several factors--the political relationship between the nation and the state, the economic status of the nation, and the history and nature of the nationalist struggle--as seen in the cases of Flanders and Scotland.

Second, The range and the magnitude of the effects of the Structural Funds are relatively limited. Only one political party, the Scottish National Party, out of the three which espouse some degree of devolution in Scotland, mentions the Structural Funds in their propaganda. The Scottish Liberal Democrats and the Labour Party do not appear to have publicly criticized the Tories' failure to endorse Grampian's entire request for Objective 5b status.

There are two explanations for the limited effects. The first stems from the fact that EU citizens are not familiar with the Structural Funds. According to a recent poll published in the *Eurobarometer*, only 27% of EU citizens were aware of the European Regional Development Fund (European Commission, 1996c, iii).

Second, nationalist leaders are reluctant to place too much emphasis on EU regional aid, which may not always be available to them. In a November issue of the *Financial Times*, Monika Wulf-Mathies, regional affairs commissioner, suggested that eligibility for regional aid may have to tighten in the near future in order to cope with the extra

costs of admitting eastern countries. If poor East European countries such as Poland and Hungary join the EU, regional aid will undoubtedly shift away from West European regions (Barber, 1996, p. 4).

The conclusions from this thesis warrant further research into the overall effect European integration is having on nationalist movements. While European economic and political integration has required that many competences be transferred from the member states to the Community, e.g. tariff and competition policies, there has been a countermovement in favor of empowering sub-state entities as well. The principle of subsidiarity, i.e. the making of decisions at the lowest possible level, is undoubtedly contributing to a "Europe of the Regions".

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